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A GUIDEBOOK FOR MUNICIPAL OFFICIALS

Keeping in Step with
CHANGE

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A GUIDEBOOK FOR MUNICIPAL OFFICIALS

Prepared for
the Ministry of
Municipal Affairs
and Housing
by
Allmat & Associates Ltd.

Keeping in Step with **CHANGE**

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1.0 Change - Why is it happening?

Global Drivers

Someone once said that change is the only constant in our world. The enormous changes now occurring throughout all public and private organizations in North America certainly bear this out.

Consider the following North American statistics:

In the past five years:

- stock markets are at a 40-year high. *(Source: Wall Street Journal, October 14, 1996)*
- interest rates are at a 40-year low. *(Source: Ottawa Citizen, October 24, 1996)*
- 46% of all fortune 500 companies disappeared from the rankings. *(Source: Fortune, May 1996)*
- some 750,000 businesses went bankrupt. *(Source: StatsCan, Labour Force Survey for December 1996, January 10, 1997)*
- some 800,000 companies downsized. *(Source: StatsCan, Labour Force Survey for December 1996, January 10, 1997)*
- over 500,000 firms were acquired or merged. *(Source: StatsCan, Labour Force Survey for December 1996, January 10, 1997)*

So why is this happening? What has brought this wave of restructuring, downsizing, mergers and acquisitions to such a furious state?

1. Globalization

Global forces – not just Canadian economies – are now driving economic growth:

- In 1950 world exports were $330 billion; in 1995 they were $4, 317 trillion. (Source: Lester R. Brown, *Vital Signs: The Trends That Are Shaping Our Future, IMF, 1996)*
- In 1950 North America accounted for 76% of motor vehicle production; in 1994 that number had dropped to 25%. *(Source: The World Almanac and Book of Facts, 1996)*
- In 1960 Asia accounted for 4% of world economic output; today the region accounts for 25%. *(Source: Don Tapscot, The Digital Economy: Promise and Peril in the age of Networked1 Intelligence, 1996)*

2. Service Economy

Service-based businesses will continue to dominate the economy well into the next century.

- 67% of all employees work in the service sector. *(Source: Peter F. Drucker, Post-Capitalist Society, 1995)*
- services employment accounts for 70% of all jobs in Ontario and 80% of all new jobs in Canada. *(Source: Province of Ontario, Other Players in Ontario's Economy, August 1, 1996)*
- the service economy was 33% U.S. G.D.P. in 1890; it's 80% today. *(Source: Jeffery Madrick, The End of Affluence, 1996)*

3. Knowledge Workers

According to Peter Drucker, intellectual capital is becoming the commodity of international commerce.

- In 1960, one half of all workers made things. By 2000, only 1 in 8 will be producing goods. *(Source: Peter Drucker, Post Capitalist Society, 1995)*
- In Canada today, about 28% of all employees (1 in 4) are knowledge workers. *(Source: StatsCan, Labour Force Survey for December 1996, January 10, 1997)*

4. Small Business

Small business is the engine of the economy today and definitely in the future!

- 6 out of 10 new jobs in Canada are created by small business. *(Source: Conference Board of Canada, Canadian Business Review, Spring 1998)*
- 2.5 million Canadians are self employed; a jump of 30% since 1990. *(Source: Conference Board of Canada, Canadian Business Review, Spring 1998)*

5. Digitization

Digitization is dramatically increasing the accessibility and amount of information, and the speed at which it can be processed and used:

- The cost of computing power drops 30% every year, performance doubles every 18 months. *(Source: Business Week, The Information Revolution [Moore's Law], October 1996)*
- In 1997 more people purchased personal computers than televisions. *(Source: The World Almanac and Book of Facts, 1996)*
- In 1995 the Internet handled more mail than the Canadian and U.S. post offices - 177 billion pieces. *(Source: Ted Copilevitz, The Email / Snail Mail Debate, The Dallas Morning News, April 28, 1996)*

6. Fiscal Restraint

Governments at every level and of every political stripe in every country of the world are striving to eliminate debt:

- All government debt in Canada totals $3,463,675,000,000 or $116,009 for each man, woman and child. *(Source: The Fraser Institute: press release regarding report, Canada's All Government Debt, December, 1996)*
- Per person government debt is four times the average Canadian salary of $29,912. *(Source: The Fraser Institute: press release regarding report, Canada's All Government Debt, December 1996)*

Every aspect of our lives has been affected by these global drivers. Our once stable economic engine of mass production has been rapidly eroded as consumers purchase products from around the world. This has resulted in substantial job loss within our traditional "smoke stack" industries.

Fiscal restraints, the advent of a service economy and the predominance of knowledge and information as an industry have all affected our communities.

Yes, these times they are a changing! More importantly, to deal with these new and complex issues, managers and employees within public institutions may have to re-examine their roles and responsibilities within these new economic times.

Questions:

1. How have these global drivers affected your communities?

2. Do you believe there are other "significant" factors associated with these issues which are affecting your community?

3. What specific action(s) do you believe will assist your community in dealing with these outside forces?

2.0 Leaders of Change

"We keep using rear-view mirrors, developed in the industrial age, to look forward towards the reality of the information age economy. We need to change our thinking."
***Francis Knott**, Understanding the New Age of Information*

As elected officials and senior staff, your single, largest and most complex task will be to bring about change in your organization. Although change is a constant, organizations and employees have never been easily receptive to it.

So what to do and how to do it? These are always the first and most difficult questions, but there are workable answers.

Two important management principles will help leaders of change as they work toward a new municipal structure:

i) The Principle of Continuous Improvement <u>and</u> ii) The Principle of a Consumer Driven Structure

As well, successful leaders of change tend to embrace four concepts each and every day. These concepts are:

a) Vision: Leaders of change possess a clear and powerful vision of where they wish to direct the organization. They search out managerial disciples to help support this vision. Successful leaders of change are visionaries who see beyond the present and want to lead into the future. To the visionary, change represents opportunity!

b) Innovation: Successful leaders of change have always been great innovators. Always examine and question. Is there a better way of managing or delivering a particular service?

Innovators lead by continually questioning the status quo.

Effective change agents continuously look for new ways to instill in their organizations the principles of continuous improvement and consumer driven structure.

c) **Leadership:** Change agents all possess the ability to lead by example. Successful organizations spend an inordinate amount of time communicating both internally and externally.

No one person can effectively change an organization. Therefore, leading, telling, informing, teaching, and providing information are paramount in order to illustrate why change is necessary. These are the most important things successful leaders of change must do to redirect their organizations.

Search out and convince others of your new vision and what it means for them and your communities in the future. If you believe you have successfully communicated your vision, do it again and again!

Remember, you can't communicate too much! You are searching for converts!

d) **Courage:** Municipalities don't change processes, people do. The change agent makes re-engineering happen. Without a leader, an organization will simply perform "paper studies" but nothing will truly change! Leaders will require significant courage to foster an environment which will lead to real and constructive change.

You will become an "enabler." This means letting go of control.

If an organization is to change, control of processes must move all the way to the front lines. Consumer driven structures place both authority and responsibility in front line workers. As you move in this direction, middle management and others may produce roadblocks which can stymie this movement and encourage old behaviors.

Be bold, be courageous, for without such actions positive change may not occur!

It will be your courage that will create a new vision, your drive to radically design new definitions of work assignments and structural roles which will sustain positive change in your communities.

Questions:

1. **Vision, Innovation, Leadership, and Courage**: on a scale of 1-10, 10 being strong, where would you rate yourself? (Circle one)

   1 2 3 4 5 6 7 8 9 10

2. Do you feel leaders of change should possess any other characteristics?

3. In your mind, which one, if any, of these concepts is the most important for you to display?

3.0 Model For Change

Consumer Driven

"Like the breeder reactor, change feeds on change. The rate of change keeps accelerating. We jeopardize our future if we cling to old assumptions and expectations."

Price Pritchett, Mind Shift

Before globalization, digitization, fiscal restraints and the advent of knowledge and service economies, most, if not all, organizations displayed a number of significant characteristics. These operating characteristics were: service at any cost; monopolistic practices; hierarchical management structures; redundant management "silo" systems; and lack of customer service or concern for service/product quality.

Today, organizations are being instructed by their consumers to do *"more with less"*. This is a significant challenge but one which can be met if you employ and embrace a **Consumer Driven Model** of operation (See Figure 1).

This model is designed around three platforms integrated towards a stated vision and value for the organization.

First, let's examine each of the three major platforms of this model:

A) Measure, measure, measure.

"McDonald's is built on three principles. Measure; measure; measure."

Ray Kroc, Founder, McDonald's Restaurants

To do more with less, consumer driven organizations must measure process costs for each and every aspect of their operations.

A truism - *"What you can't count, you can't measure; what you can't measure, you can't evaluate; what you can't evaluate, you can't manage."* Consumer driven operations measure every single aspect within each process to determine areas for improvement.

The key to successful measurement of processes are:

- Keep the measuring system simple.
- Determine reasons for measuring such processes.
- Allow employees to drive and create the analysis and redirection.
- Communicate throughout the organization the results, findings, and redirection activities.
- Employ staff from many departments to examine each process.
- Use an employee driven process so that if measurement shows a need for process changes, such changes can be implemented immediately to enhance consumer satisfaction.

If the process of change is lengthy and cumbersome, change may not occur!

B) Consumer usage patterns and attitudes

In today's world, organizations and their respective "traditional" services and products are under increasing pressure. Consumers are demanding "more", and the "more" has to cost less or they are not satisfied.

Why is this happening? Today, consumers receive exactly what they want at the price they demand or they go to another supplier. Private corporations must ensure price, selection, quality and after-purchase service is nothing short of world class. In the service economy, consumers demand more because they know they can get it. For your municipality to effectively deal with these new consumer expectations, you should:

- View all citizens as consumers, as well as ratepayers.
- By various methods, find out what consumers require from your existing services and products.
- Determine why and how people use each product or service.
- Instill a "consumer is king" attitude towards the delivery of each service.
- Approach each consumer as an individual and develop processes to support that approach.
- Determine from the consumers which service levels or products they are truly satisfied with and why.
- Provide vehicles for the consumers to become involved in the development or enhancement of new or existing services and products.

- Build each and every managerial process from the point of consumer satisfaction.
- Develop an organizational culture based on the principle that each consumer is important and that positive interaction with one consumer is critical towards the success of your community.

Each transaction with a consumer is a *"moment of truth"*!

C) Processes, People and Technology

i) Business Process

Business process is a collection of activities that takes one or more kinds of input and creates an output that is of value to the consumer.

Instead of examining each task and assigning or structuring work for the single task, consumer driven organizations concern themselves with the entire process to achieve both high quality and lower costs.

This shift in organizational thinking is the basis for achieving long-term consumer satisfaction while continuously reducing fixed operation costs.

To recreate processes in a consumer driven operation, municipalities should consider that:

- Recreating business processes from the consumers' perspective will require change to all facets of your organization.
- The most important function or assignment within your "new" processes will be dealing with your consumers.
- Redesigning from a consumer's view will stand your existing processes and structures upside down.
- Front line workers will need to make some decisions.
- Processes and information are interrelated and must be summarized and available for the decision makers.
- Checks and controls of a process are radically reduced as they are, in the consumer driven model, simply of non-value.
- Work units within the "traditional" structure must be changed into process multi-disciplinary work teams.
- Traditional job descriptions and roles change from simple and singular tasks to multi-dimensional work.

- Redesigning or re-engineering is not an exercise in downsizing or "getting rid of employees," but rather a new and exciting means to both restructure and re-process your municipality.
- Employees will require substantial educational aids to help them understand and accept their new roles within the new structure. Many existing employee-based skill sets will require radical change.

ii) People

People change organizations and processes. Therefore, people must totally buy into the new vision of a consumer driven organization.

The single largest and most complex task of restructuring an organization is moving away from traditional roles and work assignments and developing a consumer driven culture.

Some employees will automatically embrace their new found roles; others will be cautious and some will be very resistant. How is a consumer driven structure different?

- Work assignments are broader; individual tasks are no longer segregated..
- Managerial roles radically change, from controller and assigner of tasks to coach and facilitator of culture.
- Point of contact assignments become the most important to the structure.
- Information flows from contact positions upward instead of the traditional processes, top down!
- Employees focus on consumer needs and requirements and stop wondering what their bosses require.
- Educating employees becomes more important as they must now understand "why" the organization and processes are consumer driven, not internally accountable.
- Employee compensation systems are designed around results, not the traditional activity base or other traditional systems such as seniority.
- Significant layers of unnecessary management are eliminated, creating an extremely flat structure.
- Employees become multi-skilled as once independent departments become one large process driven activity.
- Information is readily available from all areas of the structure to allow for quick decisions.
- Employees understand that consumers pay their salaries. Therefore, they must do what it takes to meet consumer needs.
- Every position in a consumer driven organization is important. Specific tasks must be enhanced and bettered every day.

iii) Technology

To effectively employ today's technology in a consumer driven organization, managers first should examine their thinking about its applications. Managers should not think in a "deductive" fashion, that is, defining a problem, then fashioning solutions by way of technology. Rather, one should think in an inductive manner, first recognizing a powerful solution and then seeking the problems it might solve, problems the organization may not even know it has.

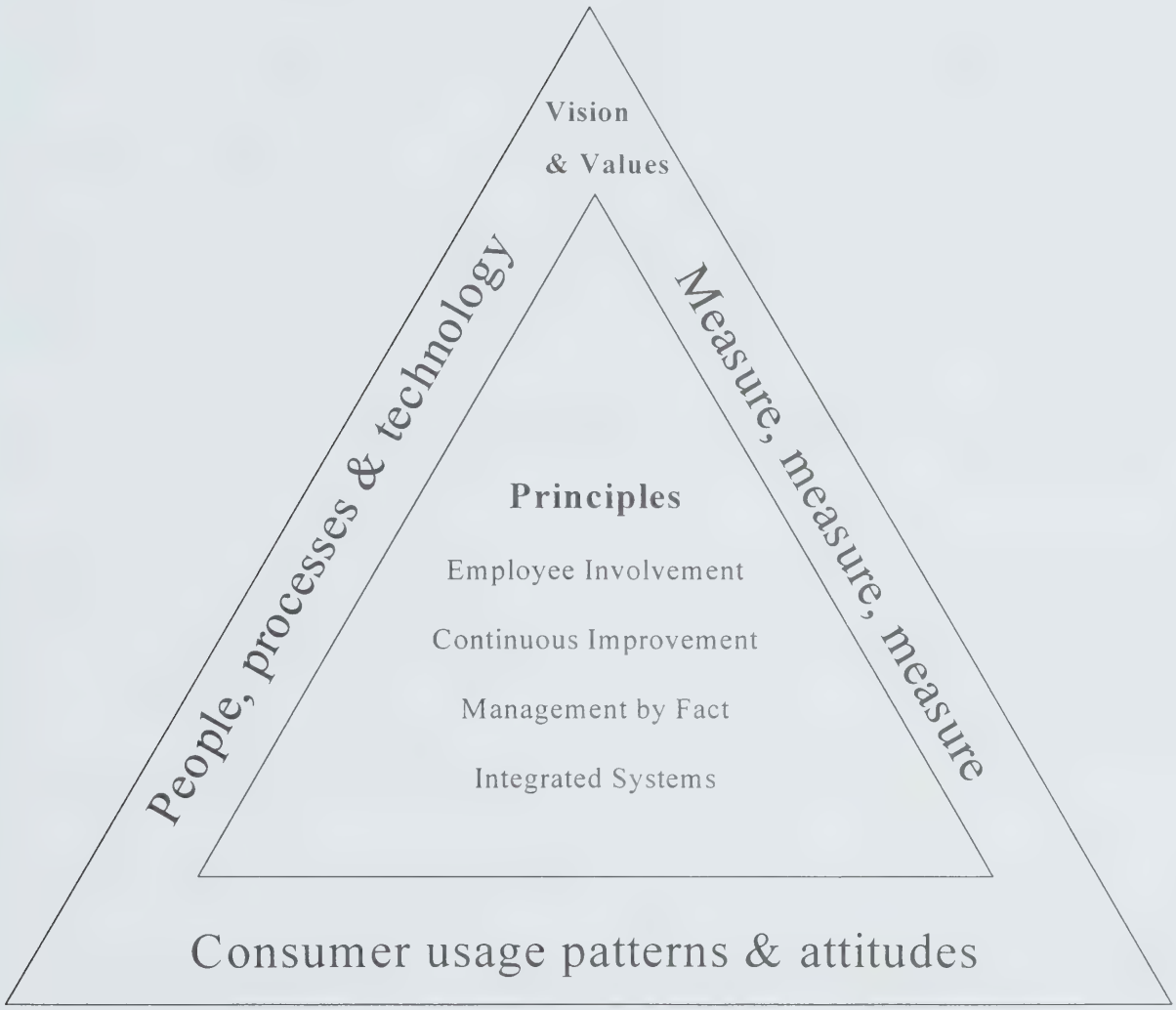
Don't ask, "How can we use new technology to improve our existing processes?" Ask, "How can we use technology to allow us to do things that we are not already doing?"

. Examine the possibilities of technology to enable your organization to:

- Gather consumer driven information necessary to meet consumer needs.
- Determine consumer satisfaction levels.
- Provide front line workers with necessary data to make decisions "on the spot" to satisfy your consumers.
- Achieve those tasks which today are not being done in a "traditional" structure.
- Enhance the multi-discipline team approach of consumer driven processes.
- Develop interactive modules for your consumers to receive or provide data on-line.
- Allow consumers to take advantage of many different services, now provided by different suppliers, through a single access point in their community.
- Share existing departmental data across the organization to facilitate consumer driven processes by once independent "traditional" departments.
- Delayer the "traditional" managerial structure and place up-to-date information on-line throughout the consumer driven structure.

In summary, technology should not be viewed as a vehicle to improve your existing systems or make them work better, but rather as a means to discover new consumer driven work systems. This is the real and positive value of "new" and even improving technology to organizations.

DELIGHTED CONSUMERS



The Consumer Driven Model

(Figure # 1)

Questions:

1. Is the Consumer Driven Model a workable model in your particular municipality?

2. What, if anything, do you like about this model?

3. What, if anything, do you dislike about this model?

4. How does your current structure compare to that which has been described?

4.0 Principles of a Consumer Driven Model

In pursuing a consumer driven structure; the four main principles to be examined are:

1) Employee involvement
2) Continuous improvement (Kaizen)
3) Management by fact
4) Integrated systems

1) Employee Involvement

In the consumer-driven model, an employee's traditional job of completing certain and specific tasks changes radically. The employee becomes deeply involved in looking for ways to enhance consumer satisfaction. This is achieved by allowing groups of employees the time, the means and the accountability to determine where daily improvements are achievable within a certain process.

True employee involvement requires organizations to examine current structures, departmental roles, managerial levels, compensation systems, and "value added" tasks to determine how these aspects of their current structure contribute to the new organization.

Involving employees is all about developing an atmosphere or culture where employees realize they are important, and that they are able to play a role in decision making. In this spirit, traditional methods of controlling organizations should be examined and modified to successfully encourage employees' input. Experience shows that when organizations move in this direction, upper and middle managerial personnel may not be totally supportive.

Some typical positions expressed may be:

- Why are we moving in this direction?
- It simply will not work here!
- The employees can't accept such responsibilities.
- The union will fight such direction!
- You're taking my job away from me!
- This is private sector stuff and it will not work in municipalities!
- We just don't need these changes and everything is fine as it is now!

These reactions are understandable, but unless you can change them, they will inhibit your organization's ability to achieve a new and exciting structure.

The role of council and senior management is to provide a framework and guidelines within which employees can have input and make decisions. Council and senior management should clearly state their goals and objectives for staff.

Advise them, hear them, teach them, move them to your new vision and the process of change will begin!

Remember your success depends solely on your people; look after them, and they will deliver first class service to your consumers!

> "People: The only long term competitive advantage."
> *Harley-Davidson Inc. 1992 Annual Report*

2) Continuous Improvement (Kaizen)

A successful restructuring process involves the principle of continuous improvement. However, we are not referring to existing processes of your "traditional" structure but rather your new "consumer driven" model.

To succeed with any transformation, the concept of continuous incremental improvement of all processes should be instilled within your organization.

Employees have to be able to make quick effective change decisions which will allow each process to continually improve.

The Japanese call this Kaizen and as the North American Auto industry found out, *it really works!*

Continuous improvement by itself is not the answer and is truly not re-engineering! As a matter of fact the only thing these two principles have in common is that they both start with the consumer and work backwards.

Implementing this principle means every new process will continually improve. However you determine to meet your consumer needs, "Kaizen" will help you cut operating costs and improve consumer satisfaction!

This is a process which never ends, but over time becomes imbedded as an important *"cultural belief"* for everyone within your organization!

3) Management by Fact

Most organizations do not really manage by fact.

In many organizations, daily decisions – sometimes extremely important decisions – are reached by managers and employers who do not have access to the facts they need to make the proper decision.

In many cases, the people with the facts are not invited or don't feel it's their responsibility to contribute.

Management by fact requires organizations to:

- Ensure individuals who possess all the necessary facts are involved in the decision making process;
- Ensure that employees involved with a specific consumer process are all involved in contributing to the decision process;
- Develop a process to determine what facts are needed to facilitate proper decisions, and where to get them;
- Avoid at all costs basing decisions on how someone or a group of individuals *"feel"* about a specific issue;
- Allow for facts to freely flow up, down, and across the organization on a continuous basis;
- Ensure facts relating to an issue are coming from more than one source; special interest groups may present a point of view that is slanted in their favour;
- Determine which facts help employees serve consumers better, and educate employees about the importance of this new, consumer-driven culture.

4) Integrated Systems

Within the consumer driven culture, everything your organization is involved with must be integrated and interdependent. No one system or activity should be left to stand alone. Information and consumer responses should be shared throughout the entire structure. If you do this, you will discover your structure and processes will, by themselves, begin to become more integrated.

Like your human resources, both technologically based and process based systems should be examined to ensure that the "traditional silo" systems are eliminated. This aspect of the consumer driven model is critical. Without such integration, real change will not happen!

Questions:

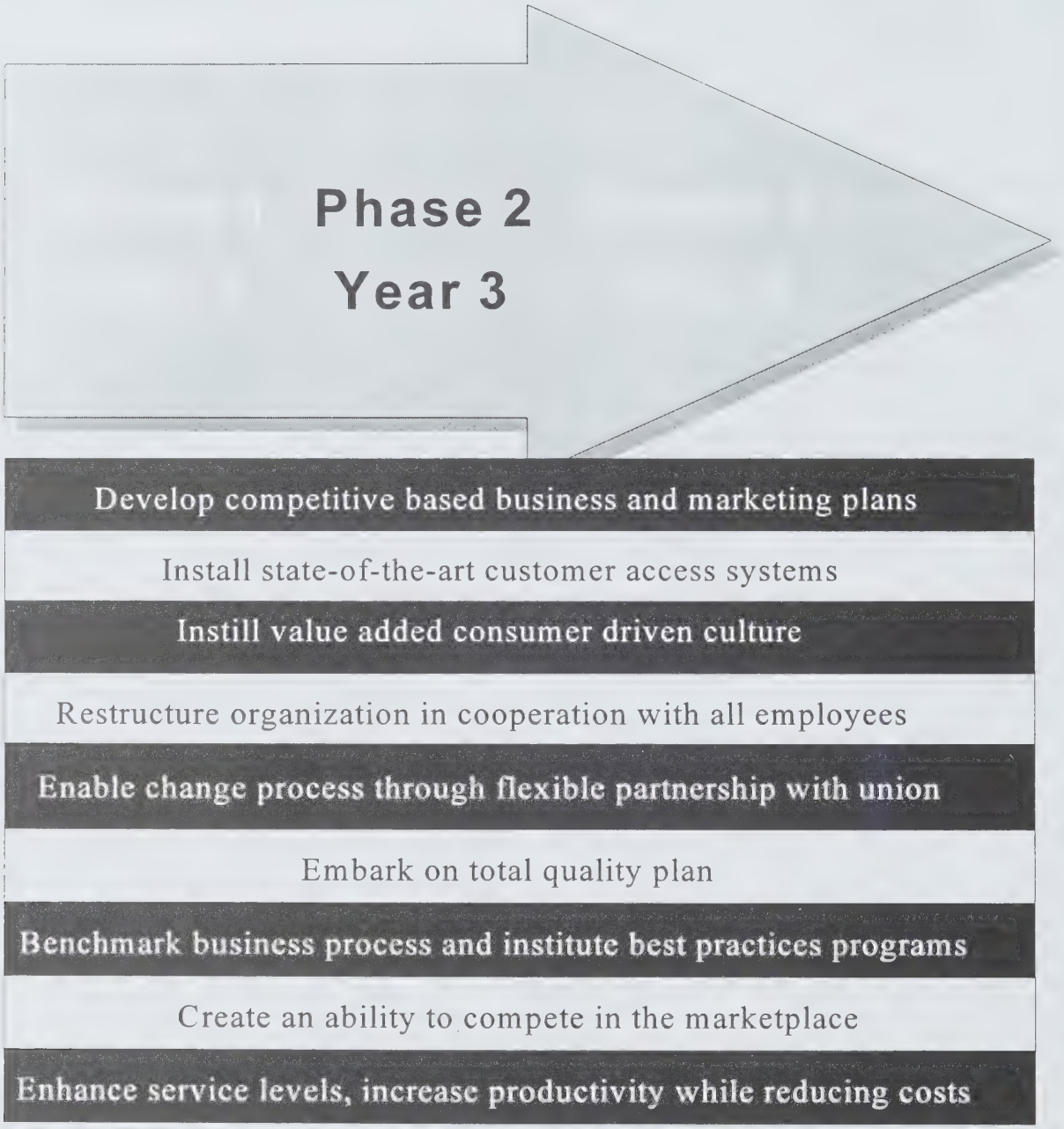
1. Are these four (4) principles currently employed within your organization?

2. If not, do you feel there may be value in further examination?

5.0 How do we get there?

The first and most important fact to remember in dealing with change is that it will take time to truly move toward a consumer driven culture.

Organizations cannot simply start this process and expect that within a year or two, they will have completed the task. Change such as we are discussing will be constant. Significant change will likely take three to five years. As outlined in Exhibit #2, give yourself a plan and follow it by employing true and accurate management methods.


Phase 2
Year 3
Develop competitive based business and marketing plans
Install state-of-the-art customer access systems
Instill value added consumer driven culture
Restructure organization in cooperation with all employees
Enable change process through flexible partnership with union
Embark on total quality plan
Benchmark business process and institute best practices programs
Create an ability to compete in the marketplace
Enhance service levels, increase productivity while reducing costs

6.0 Checklist for Change

The following list is provided as an overview of the critical areas you should be addressing within your municipality in order to foster positive and lasting change. As you will determine once you embark upon this journey, any initial checklist will by itself continue to change as your organization moves slowly towards a true consumer driven operation.

- ❒ Does the community have a true vision and value statement upon which to build our new structure?

- ❒ Do you have the current systems and processes to accurately understand how your ratepayers feel about the products and services provided?

- ❒ Do you know (in fact) the usage factors of your services and/or products?
  Do you measure every aspect of your operation with regard to results achieved both in costs and contribution towards consumer satisfaction?

- ❒ Have you identified each and every process necessary to achieve your stated vision and value statements?

- ❒ Have you developed both an internal and external communications process to inform your ratepayers of your new vision?

- ❒ Have you developed an accurate and continuous process to gather consumer input?

- ❒ Have you developed a plan to employ technology as an "enabler" to build "new" systems designed to achieve higher levels of consumer satisfaction?

- ❒ Are you examining the processing of work towards eliminating any and all "non-value" added activity?

- ❒ Are you truly "involving" your workforce with the appropriate levels of both authority and responsibility to foster "consumer driven" solutions?

- ❒ As a result of reprocessing systems, are you reducing "existing" traditional departments into multi-dimensional teams?
- ❒ Are you de-layering the existing structure?
- ❒ Are you now examining the integration of systems and data so as to enable employees to make "decisions" at the point of contact?
- ❒ Have you implemented and measured the continuous improvement of your operations and processes?
- ❒ Are you now managing by fact, not opinions based on how someone feels?
- ❒ Do you reward employees based on measurable results and creating consumer driven solutions or are you still rewarding employees based on "traditional" systems?
- ❒ Do you currently have a system to monitor how well your employees and managers understand their new roles and functions towards your stated vision?
- ❒ Does your municipality now operate by examining and continuously improving the "quality" of every task performed against a base level of acceptable performance?

Questions:

1. How does your organization stack up against this checklist?

2. Should there be other questions for consideration?